

In the Matter of	)	
	)	CONSENT ORDER
THE TRAVELERS PROPERTY	)	LEVYING A FINE
CASUALTY GROUP	)	
	)	
	)	NO. D 99 – 119
	)	
Authorized Insurer.	)	

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**FINDINGS OF FACT:**

1. The Office of the Insurance Commissioner (“OIC”) performed a Market Conduct Examination of The Travelers Property Casualty Group (“Travelers”) with respect to activities relating to policies issued in the State of Washington and to claims closed for Washington insureds from October 1, 1996, through March 31, 1997. The examination included a review of personal lines and commercial lines business, and company procedures in the areas of advertising, agent licensing, complaint handling, form and rate filings, commercial and personal lines underwriting, new issue, cancellation, non-renewal and declination practices and claim settlement practices.
2. On January 13, 1999 , a Report (“the Report”) setting forth Findings, Conclusions, and Orders with respect to the above-referenced Market Conduct Examination was adopted by the Insurance Commissioner. The Report found the following facts to be true during the period covered by the Report.
3. Travelers delayed offering to settle the claim under policy number 19-5030365 once the liability investigation was complete; Travelers delayed paying the CAT losses under policy number 431537; under claim number SKQ 4041, Travelers failed to pay the full amount owed until the OIC examiners called its attention to the amount owing.
4. The insured under policy number SMX 9029 was incorrectly advised that PIP benefits were only for one year; the insured under policy number SKP 3415 was not informed about depreciation and how to claim replacement cost; although the insured under policy number GUB 3715 sustained

5. personal injury, they were not informed of their PIP coverage and benefits; Travelers gave incorrect coverage benefits to the insured under policy number SKQ 6057; Travelers did not advise the insured under policy number GUA 3480 that Travelers would pay PIP and subrogate; Travelers paid the claim under policy number SKP 5828 under collision coverage rather than underinsured motorist coverage; Travelers did not explain PIP benefits to the insured under policy numbers GUN 0612 or SKP 1944.
6. Travelers' failed to settle a claim on policy number GUA 3480 because it took the position that responsibility for payment should have been assumed by another carrier.
7. The value of total loss vehicles under policy numbers SKQ 0405, SKP 0323, GUQ 0445, GUA 0737, SKQ 0405, GUA 5744, SRL 6547, SKQ 7152, and SKQ 4995 were not determined in accordance with the rule, as detailed in Appendix 5 of the Report.
8. Investigations of claims under policy numbers DRA 5910, 019-97-00000276, 19-431411, SKP 3720, D4P 1706, 81CQ25404054, GUB 3377, 081-96-000004107, 431087, L19431472 SP, D519065, 19-5030365, SKP 3812, DU 242541, SKP 0073, and SKP 1027 were unreasonably not completed within thirty days after Travelers was notified of the claims.
9. Travelers sent non-renewal notices to the policyholders of 106 Commercial policies because the agencies' contracts were terminated.
10. Travelers non-renewed 97 Commercial policies because the agents' contracts were terminated, and failed to send non-renewal notices or offers to renew to the policyholders of those policies, and there was no evidence in the files that Travelers had determined that those insureds had procured equivalent coverage prior to the expiration date.
11. Travelers sent non-renewal notices on Personal Lines policy numbers 366-44-1211-633-1, 535160641-633-1, 915637811-633-1, 910-24706-633-1, 920071184-634-1, 914912588-663-1, 538387514-663-4, and 535160641-663-4 because the agent's relationship with Travelers terminated.
12. The non-renewal notices Travelers sent on policy numbers ISCFCUP616W7374-IND-95, 081-FP-FJ-CO-IZ-025163978, BQ25606795, and 919416035-101-1 did not give clear and easy to understand reasons for the non-renewals such that the insureds could understand the real reason for the actions without need to resort to additional research.
13. An application form for Travelers' Secure Homeowners Program did not explain the circumstances which would cause coverage to commence or show the time that coverage would become effective.
14. For policy number 081-002595130 AM, Travelers used a 30% credit and a 32% credit and failed to provide for an objective analysis of the risk based on specific factual information to support the credits applied.

15. For policy number I-660-120X6755-TIA-97, Travelers used a 28% credit, Travelers failed to provide for an objective analysis of the risk based on specific factual information to support the credits applied, and waived the audit required by the rating plan filed with OIC.
16. For policy numbers I-66-189A2513-COF-97, I-680-499W237-8, I-680-453J604-0, 706W1713, 660-915G547796, 660-514G612-4, I-680-676W179-3, 081-BQ0025287088TXN, 081-0025133788AM, P710-711F043A, 715-701W2779, and PL0025233744, Travelers failed to provide for an objective analysis of the risk based on specific factual information to support the credits applied.

## CONCLUSIONS OF LAW

1. Travelers' delay in offering to settle a claim after the liability investigation was completed violated WAC 284-30-330 (2); Travelers' delay in paying CAT losses violated WAC 284-30-330(16); Travelers' failure to pay an amount owed on a claim violated WAC 284-30-330(16).
2. Travelers' misrepresentation to its insured that the Personal Injury Protection benefits were for one year, and its failure to advise the insured that those benefits were for three years violated WAC 284-30-350.
3. Travelers' failure to advise its insured about depreciation and how to claim replacement cost violated WAC 284-30-350.
4. Travelers' failure to advise its injured insured of PIP benefits and coverage violated WAC 284-30-350.
5. Travelers' failure to provide the correct coverage benefits to its insured violated WAC 284-30-350.
6. Travelers' failure to advise its insured that personal injury protection benefits would be paid under the policy and Travelers would subrogate violated WAC 284-30-350.
7. Travelers' payment of a loss under the collision coverage rather than the underinsured motorist coverage, as proper, violated WAC 284-30-350.
8. Travelers' failure to explain to two of its insureds the Personal Injury Protection benefits available under their policies violated WAC 284-30-350.
9. Travelers' failure to settle a claim because it took the position that responsibility for payment should have been assumed by another carrier violated WAC 284-30-380(4).
10. Travelers' failure to value nine total loss vehicle claims in accordance with WAC 284-30-390(1)(b) violated WAC 284-30-390(1)(b).

11. Travelers' fourteen unreasonable failures to complete its investigations of claims within thirty days after it was notified of the claims violated WAC 284-30-370.
12. Travelers' sending of non-renewal notices on 106 commercial policies for the sole reason that the two agency contracts through which the 106 policies had been written were terminated violated RCW 48.17.591(1).
13. Travelers' decision to non-renew 97 policies because four agency contracts were terminated violated RCW 48.17.591(1).
14. Travelers' failure to renew eight policies solely because the agent/company relationship terminated violated RCW 48.17.591(1);
15. Travelers failure to give clear and easy to understand reasons for the action in four non-renewal notices such that the insureds could understand the real reason for the action without need to resort to additional research violated WAC 284-30-570.
16. Travelers' failure to explain the circumstances which will cause coverage to commence and the time when coverage will become effective on the application for its Secure Homeowners Program, violated WAC 284-30-560(b).
17. Travelers' use of a 30% and a 32% credit constitutes a minimum of two violations of WAC 284-24-100(2); Travelers' failure to provide for an objective analysis of the risk based on specific factual information to support the credits applied violated WAC 284-24-100(5);
18. Travelers' use of a 28% credit violated WAC 284-24-100(2); Travelers' failure to provide for an objective analysis of the risk based on specific factual information to support the credits applied violated WAC 284-24-100(5); Travelers' waiver of the audit required by the rating plan filed with OIC violated RCW 4819.040(6).
19. Travelers' twelve failures to provide for an objective analysis of the risk based on specific factual information to support the credits applied violated WAC 284-24-100(5).

#### CONSENT TO ORDER

Travelers hereby admits to the foregoing Findings of Fact and Conclusions of Law, as they pertain to these facts.

The Commissioner has offered a settlement in lieu of suspending or revoking Travelers' certificate of authority.

By agreement of the parties, the OIC will impose a fine of Two Hundred Thousand Dollars on Travelers, and suspend One Hundred Thousand Dollars of that fine, on condition that:

1. Travelers pay One Hundred Thousand Dollars of the fine for its violations of Washington insurance law within thirty days of the entry of this Order.
2. Travelers comply with all the terms of the Compliance Plan attached hereto as Exhibit 1 and incorporated herein by reference.
2. Travelers commit no further violations of the statutes and regulations that are the subject of this Consent Order for a period of two years from the date on which this Order is entered.
3. The OIC will not impose the balance of the fine nor proceed against Travelers' certificate should Travelers commit isolated, de minimis, violations of the statutes and regulations that are the subject of this Consent Order during the suspense period, as determined by the OIC. Travelers commits to rectifying such violations promptly once they are discovered.

EXECUTED and AGREED this 17th day of November, 2000.

THE TRAVELERS PROPERTY CASUALTY GROUP

Title: Chief Compliance Officer, Commercial Lines

Signed: Maryellen Prudhomme

#### ORDER

Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of Two Hundred Thousand Dollars on The Travelers Property Casualty Group, and suspends One Hundred Thousand Dollars under the Conditions set forth in the Consent to Order section of this Consent Order. One Hundred Thousand Dollars of the fine must be paid in full within thirty days of the date of entry of this order. Failure to pay this portion of the fine and to comply with the stated Conditions within the allotted time shall constitute grounds for the recovery of the full fine, including the suspended portion, and for revocation of The Travelers Property Casualty Group's certification of authority in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT OLYMPIA, WASHINGTON, this 21st day of November, 2000.

DEBORAH SENN  
Insurance Commissioner

By: Carol Sureau  
Carol Sureau  
Deputy Commissioner, Legal Affairs  
Office of the Insurance Commissioner